

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | PHILIP Y. BROWN, ESQ. | JOHN B. LANGAN | JAMES M. MACHADO | DONALD R. MARQUIS | ROBERT B. MCCARTHY

## MEMORANDUM

TO: Holyoke Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: November 6, 2014

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 and January 1 of each fiscal year. The schedule is effective in FY15 (since the amount under the prior schedule was maintained in FY15) and is acceptable under Chapter 32.

Although we are approving this schedule, we note that the FY16 amount is the same as FY15. Chapter 32, Section 22F allows for a funding schedule to extend beyond FY30, as long as "...the payment in a year under the revised schedule or a subsequent schedule is not less than the payment in a prior fiscal year under the then current schedule until the system is fully funded...". Although such a schedule is allowable, we recommend a schedule in which the FY16 and FY17 amounts are more consistent with the prior schedule. If such a schedule were adopted, the amortization period for the unfunded liability could be reduced. By reducing the budgeted amounts from the prior schedule, the plan may be forced to increase its level of appropriation in future years if there are investment or actuarial losses.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

Enc.



## SECTION 2: Valuation Results for the City of Holyoke Retirement System

**CHART 16**

**Funding Schedule - Fully Funded by June 30, 2032 with Amortization Payments that Increase 2.75% Per Year and Fiscal 2016 Appropriation Equal to Fiscal 2015 Appropriation**

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of 2002 ERI Liability	(4) Amortization of 2003 ERI Liability	(5) Amortization of 2010 ERI Liability	(6) Amortization of FY06-07 Section 90 ACD Liability	(7) Amortization of FY08-09 Section 90 ACD Liability	(8) Amortization of Remaining Unfunded Liability	(9) Total Plan Cost: (2) + (3) + (4) + (5) + (6) + (7) + (8)	(10) Total UAL at Beginning of Fiscal Year	(11) Increase Over Prior Appropriation
2015	\$3,225,800	\$31,406	\$293,338	\$154,051	\$99,962	\$36,957	\$13,276,791	\$17,118,305	\$158,910,678	--
2016	3,367,926	32,270	301,405	154,051	102,711	37,974	13,121,968	17,118,305	156,533,829	0.00%
2017	3,516,281	33,157	309,694	154,051	105,535	39,018	13,130,376	17,288,112	154,123,084	0.99%
2018	3,671,138	34,069	318,210	154,051	108,438	40,091	13,491,461	17,817,458	151,502,819	3.06%
2019	3,832,779	35,006	326,961	154,051	111,420	41,194	13,862,476	18,363,887	148,283,432	3.07%
2020	4,001,501	35,969	335,952	154,051	114,484	42,327	14,243,695	18,927,979	144,407,598	3.07%
2021	4,177,612	36,958	345,191	154,051	117,632	43,490	14,635,396	19,510,330	139,813,252	3.08%
2022	4,361,434	37,975	354,683	154,051	120,867	44,686	15,037,870	20,111,566	134,433,213	3.08%
2023	4,553,304	39,019	364,437	-	124,190	45,915	15,451,411	20,578,276	128,194,773	2.32%
2024	4,753,573	40,092	374,459	-	127,605	47,177	15,876,325	21,219,231	121,182,189	3.11%
2025	4,962,606	41,195	384,756	-	131,114	48,474	16,312,924	21,881,069	113,160,069	3.12%
2026	5,180,786	42,328	395,337	-	134,720	49,807	16,761,530	22,564,508	104,037,357	3.12%
2027	5,408,510	43,491	406,209	-	138,424	51,176	17,222,471	23,270,281	93,715,587	3.13%
2028	5,646,196	44,687	417,379	-	142,231	52,583	17,696,090	23,999,166	82,088,305	3.13%
2029	5,894,275	45,916	428,858	-	146,142	54,029	18,182,733	24,751,953	69,040,427	3.14%
2030	6,153,202	47,178	440,652	-	150,161	55,514	18,682,758	25,529,465	54,447,569	3.14%
2031	6,423,448	48,475	452,770	-	154,290	57,041	19,196,534	26,332,558	38,175,320	3.15%
2032	6,705,507	49,808	465,221	-	158,534	58,610	19,724,437	27,162,117	20,078,444	3.15%
2033	6,999,892	-	-	-	-	-	-	6,999,892	-	-74.23%

Notes: Recommended contributions are assumed to be paid on July 1 and December 31.

Item (2) reflects 4.0% growth in payroll as well as 0.15% adjustment to normal cost to reflect the effects of mortality improvement due to generational mortality assumption.

Projected normal cost does not reflect the future impact of pension reform for future hires.

Amortization payments increase at 2.75% per year.

Assumes contribution of budgeted amount for fiscal year 2015.